

August 15th, 2008

Hotel, Restaurant and Institutional Sector Development

A proposal submitted to the Central Fund of the USDA's Emerging Markets Program

by

FAS/China, USDA, 1400 Independence Av. SW, Washington DC, 20036

FAS/China Project Coordinate

Coordinating Office

Kevin Latner

Director

Agricultural Trade Office, Chengdu, China

Tel) 8628-8526-8668, fax) 8628-8526-8118

Participating Offices

Eric Trachtenberg, Director Agricultural Trade Office Beijing, China Tel) 8610-6532-1953 fax) 8610-6532-2962	Joani Dong, Director Agricultural Trade Office Guangzhou, China Tel) 8621-6279-8622 fax) 8621-6279-8336	Wayne Batwin, Director Agricultural Trade Office Shanghai, China Tel) 8621-6279-8622 fax) 8621-6279-8336
--	---	--

Overview:

This project is part of FAS China's overall effort to create a marketing environment that maximizes consumer recognition and acceptance for U.S. agricultural products. A critical component of the Agricultural Trade Office efforts is insuring that U.S. agricultural products are recognized for the excellent quality and food safety characteristics that U.S. consumers have come to expect. Whether reflected under the moniker "Great American Food," the flying star, or the regional cuisines of the USA, ATO Chengdu will use this program as a component of brand American food products.

Creating this demand pull is a critical component of identifying and addressing market access issues, also fundamental ATO activities. While the focus of this program is the development of loyal food service customers, this project will be closely integrated with the National Media Development, Distribution Development, and the Cold Chain Programs, which will be funded separately.

Once products are available in the host country, hotels, restaurants, other institutional food providers and their chefs and managers are the front line of U.S. agricultural export development efforts.

Whether it is integrating U.S. food products into local cuisine or promoting a taste for U.S. food and style, the HRI sector is a critical partner in U.S. marketing efforts. Developing a commitment to use U.S. food products requires developing chefs and food and beverage managers so that they understand the food safety and food quality characteristics of U.S. food products and the marketing benefits of promoting U.S. food and style.

By coordinating nationwide, this program will maximize current programs implemented at the different ATOs while gaining economies of scale intrinsic in a nationwide program. The components of the program will be 1) a nationwide chef training program, 2) themed demonstration events in the targeted cities; 3) chef clubs; and, 4) a culinary school exchange program. This program has been designed to be integrated with SRTG efforts and funding to bring regional cuisine to the HRI sector in China.

Background and Justification:

China's rapid economic expansion has developed a booming industry in top end restaurants and hotels. To meet this demand and insure food products met international standards, enterprises have brought in foreign general managers, food and beverage managers, and chef. FAS/China, in cooperation with USDA Cooperators, has targeted these establishments, introducing U.S. product, training chefs and food and beverage managers. By leading these activities, ATOs insure that broad USDA Cooperator participation. Since 2005, individual FAS/China offices have arranged for chef trainings in coordination with SRTG and cooperated on reverse missions for the HRI sector with various USDA cooperators and organized, in cooperation with USDA Cooperators, menu promotion and large scale receptions that demonstrate the quality and benefits of American food and style.

The recent changes in the market structure and the expanded presence of USDA Cooperators have made a coordinating role for ATOs, especially in emerging city markets (ECM), critical for success. As third-country competition saturates the HRI sector with information, a fragmented approach of individual ATOs and USDA Cooperators dissipates the overall effectiveness. The following program will build on and expand past efforts to both extend the penetration in major markets and take advantage of the ECM, which are China's fastest growing economic centers. Recent research indicates that over 54 percent of U.S. exports go to the top 15 ECMs, including Chengdu and the economic growth in many of the ECMs is over 15 percent; in 2007, Chengdu and Chongqing were 17 and 18 percent, respectively.

Among the successes of these efforts is that in many of the major markets, increasingly local chefs understand the quality and safety benefits of U.S. food and style. In addition, in these major markets European, Australian and other competitors have cut into U.S. market share. Thus, while there is a continued need for chef training and exchanges between top culinary training institutes, developing a sophisticated and common marketing theme China-wide that can differentiate U.S. agricultural products and the American lifestyle will be critical.

A separate but coordinated approach in ECMs will develop an HRI sector in a less sophisticated and less competitive market giving U.S. agricultural products the opportunity to be first-to-market. Effective market access and promotion and efforts previously used China's major markets will be transplanted to ECMs because both the economic growth and international sophistication is expanding rapidly. In Chengdu alone, four new 5-star hotels have opened in the last 12 months. There is a parallel development in Chongqing and many ECMs, especially in the west. Because of the different developmental stage, the ECM program will focus on traditional chef trainings, reverse missions, and organized promotions and receptions, as well as the culinary exchanges and implementation of a common marketing theme.

This program requires critical integration with other nationwide programs including the cold chain program, the distribution development program, and the national lifestyle media program. Unlike major markets, that are often at or near ports and have significant import and logistic experience with U.S. products, many ECMs require technical assistances and market access assistance for trade success. ECM product training seminars will target these issues help purchasers link with importers, wholesalers and distributors in the major markets and provide needed feedback to FAS/China's

Distribution Development and Cold Chain Development programs and the Office of Agricultural Affairs to address market access issues.

Separately, much of the bakery development programs, whether ATO or USDA Cooperator sponsored, have gone on in parallel with the other food and beverage training. Because there is often overlap, this program envisions an appropriate nationwide integration with bakery development efforts maximize the benefit of coordinated ATO and USDA Cooperators activities.

Finally, a critical component of this program will be to build in ongoing evaluations to insure that we have developed an effective brand and to insure that individual activities reinforce the nationwide message. The evaluation component is not funded separately because it will be built into each activity.

Project Goals and Objectives - Expected Results:

- Basic education in ECMs about U.S. products. The focus here is to lead the demand development effort by bringing a common understanding to top consumers about the quality and safety of U.S. food products and how the HRI leaders can use these characteristics to more effectively market their services.
- Create product-loyal HRI food product users. Create loyalty programs to support continued use of U.S. agricultural products. Loyalty program will include ongoing training and tailored support for these partners' marketing activities.
- Marketing Momentum in ECM markets. Fill in the information gap in ECMs so that American's food and lifestyle leadership and U.S. agricultural products can sent the consumption trend for leading hotels and restaurant chains.
- Match U.S. competitors in HRI product support. Australian International Trade Association and the Australian and New Zealand producer marketing boards and key European Union members, including France, Spain, Italy and Germany have ramped up market promotion and are outpacing U.S. and effecting market share in key export products. The would leverage ATO and USDA cooperator activities to maintain market share in the current growth environment.
- Increase capacity of product differentiation in purchasing sector so insure value to U.S. price premiums. The focus is to match chef training with concurrent training for purchasing managers, food and beverage managers and restaurateurs so that as U.S. quality attributes can not only be identified by chefs, but also be specified in purchasing contracts. This would include assistance in product handling and in identifying importers. This is closely integrated with the Distribution Development and Cold Chain Programs.
- Create American food style and U.S. food product events. This program would provide demonstration events as a platform to assist HRI chefs and managers how to maximize the marketing benefits of using U.S. products and expose local and national media to great American food in conjunction National Lifestyle Media program.
- Unify and Brand FAS/China's "U.S. Agricultural Product" message. Developing a common message and evaluating the effectiveness will insure that each activity, not only within the context of this program, with all nationwide programs, will support ATO and USDA Cooperator marketing efforts.

Workplan:

- Bring sponsored chefs to target cities covered by each ATO to train chefs in top restaurants and hotels. Each chef training seminar would be coordinated to culminate with a one to two month promotional specials at the target facility.
- Coordinated ECM product training seminars for purchasing managers. While chefs are learning to use new products, purchasing managers need to know where to find them, how to insure they get the right product and how to handle them. These seminars would be timed to support the chef training program.
- Bring sponsored bakery chefs to target cities covered by each ATO to train top bakery chefs, coordinating efforts with the regular chef training and associated promotional events.
- Develop a nationwide and unified branding mechanism for promoting U.S. products. Whether the moniker “Great American Food,” the flying star, regional cuisines of the USA, newsletters, etc. a nationwide program to insure that U.S. industry can capitalize on local and national media recognition of FAS/China marketing efforts.
- Develop themed demonstration events consistent with the nationwide branding and coordinated with the chef training. Using a road-show implement these events in targeted cities covered by each ATO. The focus of these events will be to highlight American food and style for key import, distribution and HRI contacts, provide a fora for USDA cooperators to leverage ATO contacts, and create media interest in U.S food and style.
- Visit Culinary & Media Organizations: Expose HRI team to U.S. food trends and American food lifestyle (Schools, USDA Cooperators, etc.)

Budget:

Time: 2009-2010

Activity	Cost
Chef Training	
Mature Market Chef Training	40,000
ECM Chef Training	40,000
ECM Product Training	10,000
Bakery Sector Program	20,000
Nationwide Branding Program	60,000
Product Demonstration Roadshow	70,000
HRI Teams	
Mature Market Teams	90,000
ECM Teams	60,000
Total	390,000

Total Cost:

Chef Training: Approximately \$80,000 to bring expert U.S. chefs, including with regional specializations (e.g., Cajon, Tex-Mex, New England, California) to target cities for periods of 3 weeks or more train local chefs, develop locally tailored menus, and headline market promotion and development events. This program will be closely coordinate with SRTGs.

EMC Product Training: Approximately \$10,000 for product training seminars for purchasing and food and beverage managers.

- Bakery Sector Development:** Approximately \$20,000 to bring sponsored bakery chefs to target cities covered by each ATO to train top bakery chefs, coordinating efforts with the regular chef training and associated promotional events.
- Nationwide Branding Program:** Approximately \$60,000 to develop a nationwide and unified branding mechanism for promoting U.S. products. to insure that U.S. industry can capitalize on local and national media recognition of FAS/China marketing efforts.
- Product Demonstration Road-show:** Approximately \$70,000 to develop themed demonstration events consistent with the nationwide branding and coordinated with the chef training, and create media interest in U.S food and style.
- HRI Teams:** Approximately \$150,000 for 5 HRI teams from the regions of seven people, including one accompanying ATO LES on each team. Ideally, teams will travel in coordination key trade shows, including the National Restaurant Association. Costs of each HRI Team participant including international airfare, domestic transportation, training and accommodation, lodging, and mi & e, etc., will be covered under EMP.